

Central Intelligence Agency



Washington, D. C. 20505

22 November 1982

Ecuador: Political and Economic Assessment

Democracy in Ecuador continues to survive, but its hold is threatened by a delicate economic situation that has recently led to labor unrest and renewed military coup plotting. President Hurtado's imposition last month of IMF and foreign bank-mandated austerity measures provoked widespread opposition among business and labor groups, a one-day national strike, and scattered street violence in which several people were killed. [REDACTED]

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Moderation of some of the austerity measures and resolution of a separate transport workers strike have reduced tensions and strengthened Hurtado's position somewhat, but he continues to face formidable challenges. Leaders of the largest labor confederation have promised renewed militancy unless minimum wages are raised further--thus more strikes are likely early next year. This will be even more probable if international lenders require greater austerity. The government has lost its majority in Congress and must rebuild coalitions on an issue by issue basis. Low international oil prices--oil accounts for over half of Quito's export revenues--will make management of the crippled economy even more difficult. Unconfirmed reports suggest that Ecuador's continuing border dispute with Peru--its most pressing international problem--could heat up and compound Hurtado's domestic concerns. [REDACTED]

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Ecuador will continue to face low economic growth, high inflation, a slack oil market, and widening fiscal and current account deficits. Total debt, mainly owed to private banks, will reach \$6.8 billion by the end of this year. A UK-led consortium of creditors recently granted Ecuador a moratorium on the payment of principal through 31 December 1983. During this time, Quito will seek debt relief from commercial banks and international institutions. [REDACTED]

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The military remains the most direct potential threat to Ecuadorean democracy. Coup plotters have temporarily shelved plans, because strike related violence failed to provide adequate pretext and because certain key officers apparently support the government. Renewed labor unrest or command changes designed to isolate or retire disaffected officers could cause plotters to resume activity, although it is unclear how much support they can garner. The military's hard line on the border dispute with Peru could also bring it into conflict with Hurtado, who prefers to settle the question peacefully and quickly. [REDACTED]

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